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Proposed Transportation Tax Would Do County More Harm Than Good

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By Tammy Gray-Searles

A proposal to increase the state sales tax by one percent to fund transportation needs would not only hike sales tax rates in several local cities up to some of the highest in the nation, but would also result in very little of that tax being used to build and maintain roads in Navajo County.

“The amount of the \$42 billion that would be generated in this proposal gives only 20 percent to the counties and cities, with 60 percent of this amount being returned to Maricopa County,” Navajo County Public Works Director Dusty Parsons noted.

The proposal, which was created by the Transportation and Infrastructure Moving Arizona Economy (TIME) Coalition, includes not only a plan for raising sales tax rates, but also a plan for construction around the state, with much of that construction occurring in Maricopa County. Interstate 40, which was earlier identified as needing significant improvements in order to avoid becoming severely congested over the next 20 years, was removed from the plan. In its place are new freeways and rail systems in Maricopa County.

White Mountain Regional Transportation Committee Liaison Jack Husted, who previously served on the executive committee for TIME, noted that the expenditure plan supported by Gov. Janet Napolitano was supposed to have been modified to distribute the proceeds more evenly, but that has not happened.

According to Husted, the governor asked for a critical needs study in order to create a plan. That study was turned in on March 31, and the governor handed out her plan on April 1.

The League of Arizona Cities and Towns is working to determine how much each city would receive for transportation needs under the proposal. League officials noted that the funding in the proposal is divided up as follows.

Of the total amount collected, 55 percent would be used for state roads and highways, 18 percent would be used for rail and public transit projects, and 26 percent would be dedicated to local transportation projects such as city streets and county roads.

The fifty-five percent set aside for state roads would be spent mainly in Maricopa County, with 49 per-cent dedicated solely to projects in Maricopa County. Twelve percent would be dedicated to projects in Pima County, and the remaining 39 percent would be divided among the rest of the state.

That means, for example, that if the state actually collected the estimated \$42 billion in anticipated pro-ceeds from the one-cent sales tax over the next 30 years, approximately \$23.1 billion of that would be used for state roads and highways. Of the \$23.1 billion, \$11.32 billion would be spent in Maricopa County, \$2.77 billion in Pima County and \$9 billion would be divided among the remaining 13 counties, or approxi-mately \$690 million per county, if it were divided evenly.

The 18 percent set aside for rail and public transit projects would also include specific percentages dedicated to Maricopa and Pima counties, with eight percent to Maricopa County and five percent to Pima County. Based on the \$42 billion estimate, \$7.56 billion would be set aside for rail and public transit. Of the \$7.56 billion, Maricopa County would be guaranteed at least \$605 million and Pima County, \$378 mil-lion. The remaining \$6.58 billion could be used for any projects in the state, including ones in Maricopa and Pima counties.

Finally, the 26 percent set aside for local transportation projects would be divided as follows: 26 percent to be divided among all cities, towns and Indian reservations within Maricopa County; 38 percent to be divided among all other counties, cities and towns; two percent to be divided among all Indian reservations outside of Maricopa County; four percent for “transportation related enhancements, such as easements, landscaping and meeting environmental regulations; and three percent to open space and wildlife conserva-tion.

This means that, based on \$42 billion in revenue over a 30-year period, \$10.92 billion would be dedi-cated to local transportation projects. That \$10.92 billion would then be divided, with \$6.56 billion

being split between the cities, towns and reservations in Maricopa County; \$4.15 billion to be divided among the remaining 14 counties, and all of the cities and towns within those counties; \$218 million to be divided among all reservation lands outside of Maricopa County; \$437 million for transportation related enhancements; and \$328 million for non-profit environmental groups.

All in all, estimates show that Maricopa County would receive a minimum of \$18.5 billion in transportation spending, or 44 percent of the total revenue, and would be eligible for up to \$6.58 billion more.

Some proponents point out that Maricopa County has the largest population and most significant transportation needs, and will likely contribute more to the proposed sales tax revenue than any other area of the state. While this may be true, the amount expected to be collected in Maricopa County is still less than the 44 percent that will be spent, putting Maricopa County's transportation system on the backs of taxpayers in other counties.

Parsons explained, "In Navajo County it will generate approximately \$12 million per year, or \$360 million over 30 years. The portion that Navajo County receives back from this proposal is estimated to be \$173 million over 30 years, less than 50 percent of the total. As you can see, this is not a good deal for the county. Apache County will also have the same deficient ratio."

In addition to leaving rural taxpayers footing part of the bill for Phoenix-area growth, the proposal would push sales tax rates across Arizona to among some of the highest in the nation. Arizona already ranks in the top 10 states for high sales taxes.

The city with one of the highest sales tax rates, when you include state and county rates, is Chicago, Ill. The rate in Chicago is 10.25 percent. If the sales tax increase is approved by voters, sales tax in both Holbrook and Winslow will go from 9.1 percent to 10.1 percent, just a shade lower than Chicago's all-time high.

Sales tax rates in Snowflake and Taylor would increase from 8.1 percent to 9.1 percent. Few places across the country have sales tax rates above nine percent.

"With the passage of a one percent state sales tax, a number of cities within the county will exceed 10 percent sales tax," Parsons noted. "This will not help our communities grow, and may have very negative results in these bad economic times."

The transportation sales tax proposal, which will go before voters in November, has a number of opponents concerned not only about the increase in sales tax and the distribution of funds, but also about some of the deals struck in the effort to get the measure on the ballot.

The Homebuilders Association of Central Arizona agreed to donate \$100,000 to support the measure when language that required development fees was removed from the initiative.

A change was made to include \$328 million for non-profit environmental groups after they opposed parts of the plan. The \$328 million can only be used for environmental projects that are not required by law. A portion of the \$437 million set aside for "transportation enhancements" will be used to pay the costs of environmental protection that is required by law.

The Goldwater Institute criticized the initiative and outlined several other options for transportation enhancement. In a report titled "More Roads to Travel: A Path to Transportation Solutions in Arizona," Director of the Goldwater Institute Center for Economic Prosperity Dr. Byron Schlomach noted, "Traditional finance and planning methods are not working. Despite the passage of Proposition 400 in Maricopa County, which continued a half-cent sales tax specifically for road construction and improvements, it is estimated that where there is \$6 billion in projected road construction needs, there is only \$2.4 billion in likely funding over the next 20 years."

Among Schlomach's suggestions are toll roads to help recapture the cost of heavy trucks using Arizona highways, minimizing public financing of public transit, legalization of private mass transit, implementation of known techniques to improve traffic flows and amending the state constitution to allow the State Land Department to give land to the Arizona Department of Transportation (ADOT) at no cost.

Schlomach noted that fuel taxes are not meeting the state's transportation needs, and other solutions need to be found without increasing taxes.

“We need to think outside the box, because the transportation funding plans we have in place won’t get us from here to there,” Schlomach noted.

The TIME initiative does not take into account or coordinate with the regional framework studies currently being conducted by ADOT. The framework studies are intended by ADOT to outline transportation needs for the next 50 years. The construction that will be called for in the framework study is not yet funded.

In order for TIME’s initiative to appear on the November ballot, the group must collect 153,365 valid signatures by July 3. The group will also present its plan to the State Transportation Board for approval in June. The Navajo County Board of Supervisors has already decided to send out letters opposing the plan to agencies across the state, including the transportation board.

Schlomach pointed out that he believes the better way to fund transportation needs is by utilizing private money rather than taxpayer dollars.

“Like 20 other states, Arizona should tap into the resources of the private sector to help build roads,” he noted.

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